

Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Petr Kupka
Advisor:	PhDr. Ladislav Křišťoufek, Ph.D.
Title of the thesis:	Are More Liquid Stocks Also More Efficient?

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

The thesis focuses on the connection of two essential characteristics of the financial markets – liquidity and efficiency – and studies the relationship between them. Standard financial economic theory implying efficiency takes liquidity for granted. It might thus make sense that if liquidity is missing, then the market is more likely to be found inefficient. Petr tries to test such a hypothesis. To do so, he uses the Amihud measure to approximate liquidity (or rather illiquidity in this specification) and examines its relationship with different types of efficiency tests. He uses the fact that all these tests lead to the same asymptotic distribution so that these can be compared. Apart from the liquidity/efficiency connection, Petr also mixes the market size into the cocktail so that three connections are analyzed in the end.

In the writing of the thesis, Petr needed to choose between using high-frequency data but cutting the sample size (in a sense of the number of stocks and their geographic disparity) and using daily data with larger geographic coverage. The latter approach has been chosen. The former approach can be theoretically taken in the master's thesis.

The text is nicely structured and it reads quite well. The results are well presented and obviously interpretable. Even though qualitatively the results are probably less straightforward than one would wish for, they contribute nicely to the literature.

In the case of a successful defense, I suggest grade A.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	27
Contribution (max. 30 points)	28
Manuscript Form (max. 20 points)	18
TOTAL POINTS (max. 100 points)	92
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: PhDr. Ladislav Křišťoufek, Ph.D.

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Referee Signature